

Registration number: 06890468

Imagination Industries Ltd

Annual Report and Consolidated Financial Statements

for the Year Ended 31 December 2017



Imagination Industries Ltd

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Imagination Industries Ltd

Company Information

Directors	Stephen Fitzpatrick Vincent Casey
Registered office	140-142 Kensington Church Street London United Kingdom W8 4BN
Independent Auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors Bristol

Imagination Industries Ltd

Strategic Report for the Year Ended 31 December 2017

Fair review of the business

Introduction

OVO grew out of the belief that there was a better way to sell energy. We set out to build a company people could trust; a company that would simplify buying energy and offer fair and transparent pricing, underpinned by unrivaled customer service.

Our work is far from complete, but during the past eight years we have built a brand people value and trust. OVO Group now has more than 1m customers. From humble beginnings in a barn in Gloucestershire we have become the UK's largest independent energy company.

When OVO launched in 2009 it was unheard of for energy companies to offer fair pricing and a straightforward customer experience. Through these simple innovations we challenged the dominance of the Big Six and set the standard for new entrants to the market. But being 'better' is no longer the differentiator it once was and customers now expect more value from their energy company.

The energy industry also faces great changes, driven by the falling cost of renewables and increasing digitisation. As we look forward to further advances in battery technology, the rise of connected devices and the electrification of heat and transport, only companies that offer diversified, smart services will thrive. For this reason we have continued to invest in the future

Smart homes

At OVO we were quick to see the potential of smart energy services. We championed the smart meter rollout, setting up our own Field Force team to take the OVO brand from the virtual to the physical as our highly-trained engineers to install smart meters in customers' homes. More than 50% of our customers now have a smart meter.

Smart meters are a step on the path to an intelligent and sustainable energy network that will free us from our dependence on fossil fuels. They enable the adoption of game-changing technologies that will transform the way we live and consume energy. We will provide our customers with an effortless transition to smart homes, offering the installation, management and maintenance of smart energy solutions including solar panels, smart boilers, smart thermostats and in-home batteries.

Following a series of investments in 2017 we have continued to invest in our capabilities to deliver smart home services. In Corgi Homeplan, and its network of 5,000 engineers, we offer boiler installations and smart heating systems to maintenance and insurance plans.

VCharge, our proprietary intelligent flexibility platform, connects to a range of devices (electric vehicles, batteries, heaters) to bring flexibility to the energy system to help smooth peaks and troughs in energy pricing, preventing customers overpaying at times of high demand while helping to balance the grid at a local and national level.

VCharge uses a range of real-time market signals, including commodity prices, weather data, local constraint and supply demand balance information to determine the most appropriate action to take. It runs millions of calculations a day, with the ability to instruct a change of state for any device within a second of making a decision, within current constraints. VCharge optimises each asset individually in this way, while also aggregating all assets to provide a portfolio level response to the market.

The customer is always in the room

Today OVO is no longer simply an energy retail business: it is a group of dynamic companies that are harnessing technological advances to offer exciting solutions to existing and future customers. We always ask ourselves what our customers value, and how technology can meet their needs and expectations. Our evolution into a smart energy company is ultimately about building lasting and trusted relationships by providing an excellent user experience.

We are not chasing short-term returns. We want to build a better energy system and deliver the biggest changes in energy provision since the industrial revolution.

Imagination Industries Ltd

Strategic Report for the Year Ended 31 December 2017 (continued)

Group Strategy

OVO's strategy is to look beyond the traditional energy retail model and build a group of innovative companies that harness technology to unlock long term value for customers, and ultimately fuel human progress by providing abundant clean energy for everyone.

Smart Supply - Retail Energy

The global energy market is moving rapidly towards a new era of digitisation, and decentralised clean power generation which will place more control in the hands of consumers. It means that the opportunities to provide greater value to customers - beyond simply supplying kilowatt hours - have increased exponentially, and that the energy retail market will change beyond recognition.

OVO has positioned itself at the forefront of this change and is well placed to capitalise on opportunities as the business evolves from a top-rated energy retailer to a multi-service, multi-brand energy technology company.

As OVO changes, customers will increasingly benefit from new products and services that harness the disruptive power of technology.

Intelligent trading

OVO Energy's trading team has developed a number of tools in-house to purchase commodities as efficiently as possible and reduce trading risks. This helps us to manage the 3.1 terrawatt hours of electricity and 8.9 terrawatt hours of gas OVO Energy purchases every year, passing on savings from intelligent trading through reduced customer bills.

The proprietary demand forecasting model combines regression and machine learning algorithms that analyse data on usage and weather patterns to calculate OVO Energy's share of Elexon's standard demand profile, all to a high degree of accuracy. This tool is essential for avoiding volatile and potentially expensive 'cash out' penalties, minimising wholesale costs.

Mass penetration of smart meters and a move towards half hourly settlement has considerably improved both the quantity and quality of data available to suppliers. OVO Energy now has accurate data of real-time usage, which creates a direct link between the cost of supplying electricity to a customer, and how and when they use it.

Smart Solutions - Energy Technology Products

In early 2018 the OVO Group unveiled three new products to realise the power of VCharge and facilitate our goal of bringing clean energy to everyone.

Smart homes - IHT and CORGI Homeplan

As the transition to a truly smart energy system gathers pace, customers will increasingly demand timely and trusted access to the technical hardware that will power the shift to a digitised future.

OVO has long been at the vanguard of suppliers driving the installation of smart meters through its In Home Technology (IHT) business. Those smart meters are the gateway to a range of products and services that will transform the energy system in the future. IHT installed 309,000 smart meters in OVO customers' homes in 2017. 50% of customers now benefit from having a smart meter.

The increase in smart meter installation rates has been supported by the expansion of the OVO Field Force team of in-home engineers, launched in 2015 and now totalling over 190, which consistently delivers leading levels of customer satisfaction.

Building on its acquisition in 2017 the group has continued to invest in CORGI Homeplan, including the launch of CORGI HomeHeat a heating system installation business. Founded in 2011, CORGI Homeplan is the UK's third largest home services provider with approximately 160,000 customers across the UK.

In addition to providing insurance services, CORGI Homeplan operates a proprietary technology platform supporting a network of 5,000 independent engineers across the UK providing installation and home emergency servicing.

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Strategic Report for the Year Ended 31 December 2017 (continued)

Smart transport - Electric Vehicles

OVO has long considered electric vehicles (EVs) a potential game changer for the energy sector and has focused much of the past 12 months exploring what kind of technologies would be necessary to make mainstream EV adoption feasible. To address industry challenges, such as consumer range anxiety, charge point infrastructure installation, offpeak and urban charging, grid stability, and customer engagement, OVO has sought to acquire businesses and establish partnerships that will drive forward the transition to a zero carbon, smart transport system.

New smart charging technology will make electric cars an important energy storage resource on the grid while also giving drivers the ultimate control over their energy and the ability to make money from their vehicle as an energy storage device. To accelerate the transition to smart charging, OVO has invested in EV charge point specialist ChargedEV and Indra Renewable Technologies, an electric vehicle components and services supplier, harnessing their technical expertise to develop a game-changing vehicle-to-grid (V2G) charger, due to be launched to market in early 2018.

The OVO V2G charger will utilise VCharge's proprietary VNet technology platform to provide grid balancing services and automatically optimise charging patterns to take advantage of off-peak energy pricing. The charger will enable EVs to function as mobile batteries, balancing renewable energy on the grid and allowing drivers to sell back unused energy.

Through a new partnership with Chargemaster, the UK's biggest provider of electric vehicle charging infrastructure, OVO is supplying one hundred percent renewable energy to the POLAR network, the largest EV charging network in the UK. OVO will begin to introduce its proprietary VNet technology across the network, unlocking smart charging capabilities on a national scale. OVO launched its first EV offering for consumers in August 2017. EV Everywhere, a unique energy bundle, features 100 percent renewable household electricity and free membership to the POLAR network of more than 5,000 UK EV charge points, offering a one-stop zero carbon energy solution both at home and on the road.

Smart ideas - OVO Foundation

OVO Foundation was created in 2014 with the mission of supporting inspiring organisations with smart ideas to give young people across the world a better and brighter future. OVO Foundation develops projects in three programme areas: energy and the environment, youth poverty and education.

OVO Foundation is funded partly from customer donations, and partly from the OVO business: at the end of 2017, 81,000 customers donated to OVO Foundation each month.

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Strategic Report for the Year Ended 31 December 2017 (continued)

Key Financial and Performance Indicators

The group's key financial and other performance indicators during the year were as follows:

	Unit	2017	2016
Customer numbers	No.	78,177	66,930
Cash	£'000	83,379	70,387
OVO Group annualised gross profit margin (before unrealised derivative gain/losses)	%	18	14
PBT&NAC	£'000	25,656	38,349

*PBT&NAC is defined as Profit before Tax before Net Acquisition Costs, representing those costs resulting from growing OVO's customer base.

Reconciliation to statutory results	2017	2016
	£'000	£'000
PBT&NAC	25,656	38,349
Net Acquisition Costs	(10,213)	(11,196)
(Loss) / Profit Before Tax	15,443	27,153

Principal risks and uncertainties

The principal risks and uncertainties impacting the Group relate to the wholesale price of gas and electricity, price pressure from competitors and bad debt risk. The Group aims to manage risk by securing gas and electricity under forward contracts and by placing customers on fixed price contracts. By collecting monthly Direct Debits from our customers, the Group plans to keep bad debts to a minimum, however, this is an area to which close attention is being paid with the current national economic climate likely to cause household budgets to become more stretched in the coming months.

By securing gas and electricity under forward contracts the Group is required to place margin calls when the mark to market value of the contracts moves adversely. The Group has largely transitioned to new supply arrangements which do not incorporate margin calls but instead require a fixed deposit. Margin calls with other suppliers are made out of working capital in the form of cash deposits. The Group manages its cash resources to ensure it has sufficient funds to meet all expected demands as they fall due.

Approved by the Board on 28 September 2018 and signed on its behalf by:



Vincent Casey
Director

Imagination Industries Ltd

Directors' Report for the Year Ended 31 December 2017

The directors present their report and the audited consolidated financial statements for the year ended 31 December 2017.

Directors' of the group

The directors, who held office during the year and up to the date of signing in financial statements, were as follows:

Stephen Fitzpatrick

Vincent Casey (appointed 13 December 2017)

Sophie Fitzpatrick (resigned 30 August 2018)

Dividends

The directors do not propose a dividend for the year ended 31 December 2017 (2016: no dividends proposed).

Financial instruments

Financial risk management objectives and policies have been established making use of financial instruments for the purpose of managing the exposure of the company to price risk, credit risk, liquidity risk and cash flow risk is discussed in note 28 of the financial statements.

Charitable donations

During the year the company made charitable donations of £867,000. Individual donations were:

	£
OVO Charitable Foundation Ltd	<u>867,000</u>

Employment of disabled persons

One of the Group's core values is treating people fairly, giving equal opportunities to all employees and applicants. The Group ensures all employees get the same chances for training, development and career progression depending on their performance, including any disabled employees. If an employee becomes disabled whilst in employment, the Group will make every effort to give the employee suitable responsibilities with reasonable adjustments in their current role, in line with the Equality Act 2010. Where this isn't possible, the Group will try to find the employee another role within OVO and provide additional training (as necessary).

Employee involvement

The Group is actively encouraging employee involvement throughout the organisation. The Group holds regular company wide briefings where the latest information is shared, including financial and economic factors that affect the performance of the Group. Employee performance and development is reviewed on a quarterly basis and ensured it is in line with the overall Group's objectives. The Group's employee forum and social committee is chaired by its employees for its employees. The Group also introduced a new share scheme for employees in the prior year.

Research and development

The Group continues to develop its IT infrastructure, investing £2.9m in software development and licences for the year to 31 December 2017 (31 December 2016: £7.6m). The Group incurred costs of £1,387,000 (2016: £nil) engaging in research during the year.

Going concern

Whilst the Group has net liabilities, it made a profit in the year ended 31 December 2017, and expects to make profits in the future. Therefore, the financial statements have been prepared on a going concern basis.

The Group meets its day-to-day working capital requirements through cash reserves and the Shell facility. The arrangement enables OVO to purchase commodity in advance in the forward markets, providing a hedge against its commitments to customers. The Company's forecasts and projections, taking into account of reasonably possible changes in trading performance, show that the Company should be able to operate within the level of its current facilities. The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore, continues to adopt the going concern basis in preparing its financial statements.

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Directors' Report for the Year Ended 31 December 2017 (continued)

Directors liabilities

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout last financial year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group and company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the group financial statements and IFRSs as adopted by the European Union have been followed for the company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

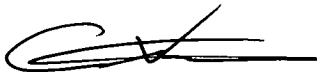
The directors are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the group and company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group and company's auditors are aware of that information.

Approved by the Board on 28 September 2018 and signed on its behalf by:



.....
Vincent Casey
Director

Imagination Industries Ltd

Independent Auditors' Report to the Members of Imagination Industries Ltd

Report on the audit of the financial statements

Opinion

In our opinion, Imagination Industries Ltd's group financial statements and parent company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2017 and of the group's and the parent company's profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Consolidated Financial Statements (the "Annual Report"), which comprise: Consolidated Income Statement, Consolidated Statement of Financial Position, Company Statement of Financial Position, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Statement of Cash Flows, Company Statement of Cash Flows, ; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and parent company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

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Independent Auditors' Report to the Members of Imagination Industries Ltd (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and parent company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the parent company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or

Imagination Industries Ltd

Independent Auditors' Report to the Members of Imagination Industries Ltd (continued)

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



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Katharine Finn (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

Bristol

28 September 2018

Imagination Industries Ltd

Consolidated Income Statement for the Year Ended 31 December 2017

	Note	2017 £ 000	2016 £ 000
Revenue	4	833,653	716,980
Cost of sales		<u>(684,347)</u>	<u>(611,302)</u>
Gross profit		149,306	105,678
Administrative expenses		(130,191)	(136,324)
Other gains	5	<u>-</u>	<u>38,246</u>
Operating profit	6	<u>19,115</u>	<u>7,600</u>
Finance income		587	1,008
Finance costs		<u>(2,549)</u>	<u>(1,046)</u>
Net finance cost	7	<u>(1,962)</u>	<u>(38)</u>
Profit before tax		17,153	7,562
Income tax (expense)/receipt	11	<u>(1,710)</u>	<u>1,947</u>
Profit for the year		<u>15,443</u>	<u>9,509</u>
Profit/(loss) attributable to:			
Owners of the company		13,622	2
Non-controlling interests		<u>1,821</u>	<u>9,507</u>
		<u>15,443</u>	<u>9,509</u>

The above results were derived from continuing operations.

There are no items of other comprehensive income within the current or prior period.

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Consolidated Statement of Financial Position as at 31 December 2017

	Note	31 December 2017 £ 000	31 December 2016 £ 000
Assets			
Non-current assets			
Property, plant and equipment	12	3,073	4,519
Intangible assets	13	77,821	14,452
Equity accounted investments	14	200	-
Deferred tax assets	11	8,134	14,133
		<u>89,228</u>	<u>33,104</u>
Current assets			
Inventories	16	7,325	4,702
Trade and other receivables	17	83,516	58,241
Cash and cash equivalents	18	83,379	70,387
		<u>174,220</u>	<u>133,330</u>
Total assets		<u>263,448</u>	<u>166,434</u>
Equity and liabilities			
Equity			
Share capital	20	-	-
Share premium		(32,758)	(32,758)
Retained earnings		<u>29,379</u>	<u>43,200</u>
Equity attributable to owners of the company		(3,379)	10,442
Non-controlling interests		<u>(5,090)</u>	<u>(6,911)</u>
Total equity		<u>1,711</u>	<u>17,353</u>
Non-current liabilities			
Loans and borrowings	21	(32,949)	(10,101)
Other non-current financial liabilities		<u>(5,000)</u>	<u>(2,786)</u>
		<u>(37,949)</u>	<u>(12,887)</u>
Current liabilities			
Trade and other payables	19	(142,076)	(95,854)
Loans and borrowings	21	(12,050)	-
Income tax liability		(662)	-
Deferred income		(71,682)	(74,495)
Provisions	25	<u>(740)</u>	<u>(551)</u>
		<u>(227,210)</u>	<u>(170,900)</u>
Total liabilities		<u>(265,159)</u>	<u>(183,787)</u>
Total equity and liabilities		<u>(263,448)</u>	<u>(166,434)</u>

The notes on pages 19 to 54 form an integral part of these financial statements.

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Consolidated Statement of Financial Position as at 31 December 2017 (continued)

Approved by the Board on 28 September 2018 and signed on its behalf by:



.....
Vincent Casey
Director

Imagination Industries Ltd


(Registration number: 06890468)

Company Statement of Financial Position as at 31 December 2017

	Note	31 December 2017 £ 000	31 December 2016 £ 000
Assets			
Non-current assets			
Property, plant and equipment	12	21	55
Intangible assets	13	2,000	2,000
Investments in subsidiaries, joint ventures and associates	14	3,122	2,434
Deferred tax assets	11	-	3
		<u>5,143</u>	<u>4,492</u>
Current assets			
Trade and other receivables	17	16,393	4,563
Cash and cash equivalents	18	<u>5,070</u>	<u>3,273</u>
		<u>21,463</u>	<u>7,836</u>
Total assets		<u>26,606</u>	<u>12,328</u>
Equity and liabilities			
Equity			
Share capital	20	-	-
Share premium		(4,048)	(4,048)
Retained earnings		<u>(9,990)</u>	<u>2,154</u>
Total equity		<u>(14,038)</u>	<u>(1,894)</u>
Non-current liabilities			
Loans and borrowings	21	-	(10,000)
Current liabilities			
Trade and other payables	19	(44)	(434)
Loans and borrowings	21	(12,000)	-
Income tax liability		<u>(524)</u>	<u>-</u>
		<u>(12,568)</u>	<u>(434)</u>
Total liabilities		<u>(12,568)</u>	<u>(10,434)</u>
Total equity and liabilities		<u>(26,606)</u>	<u>(12,328)</u>

The Company has elected not to disclose an individual company income statement. Its profit for the period was £12,142,000 (2016: loss of £15,229,000).

Approved by the Board on 28 September 2018 and signed on its behalf by:



Vincent Casey
Director

Imagination Industries Ltd

Consolidated Statement of Changes in Equity for the Year Ended 31 December 2017

	Share premium £ 000	Retained earnings £ 000	Total £ 000	Non- controlling interests £ 000	Total equity £ 000
At 1 January 2016	32,703	(43,378)	(10,675)	(16,418)	(27,093)
Profit for the year	-	2	2	9,507	9,509
Total comprehensive income	-	2	2	9,507	9,509
New share capital subscribed	55	-	55	-	55
Purchase of own share capital	-	(334)	(334)	-	(334)
Share based payment transactions	-	518	518	-	518
Movement in foreign currency translation reserve	-	(8)	(8)	-	(8)
At 31 December 2016	32,758	(43,200)	(10,442)	(6,911)	(17,353)
	Share premium £ 000	Retained earnings £ 000	Total £ 000	Non- controlling interests £ 000	Total equity £ 000
At 1 January 2017	32,758	(43,200)	(10,442)	(6,911)	(17,353)
Profit for the year	-	13,622	13,622	1,821	15,443
Total comprehensive income	-	13,622	13,622	1,821	15,443
Purchase of own share capital	-	(688)	(688)	-	(688)
Share based payment transactions	-	621	621	-	621
Movement in foreign currency translation reserve	-	266	266	-	266
At 31 December 2017	32,758	(29,379)	3,379	(5,090)	(1,711)

The notes on pages 19 to 54 form an integral part of these financial statements.

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Company Statement of Changes in Equity for the Year Ended 31 December 2017

	Share premium £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2016	4,048	13,075	17,123
Loss for the year	-	(15,229)	(15,229)
Total comprehensive income	-	(15,229)	(15,229)
At 31 December 2016	4,048	(2,154)	1,894
	Share premium £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2017	4,048	(2,152)	1,896
Profit for the year	-	12,142	12,142
Total comprehensive income	-	12,142	12,142
At 31 December 2017	4,048	9,990	14,038

Imagination Industries Ltd

Consolidated Statement of Cash Flows for the Year Ended 31 December 2017

	Note	2017 £ 000	2016 £ 000
Cash flows from operating activities			
Profit for the year		15,443	9,509
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	6	11,109	10,595
Profit from disposal of subsidiary	5	-	(38,246)
Foreign exchange (gain)/loss	6	(3)	3
Finance income	7	(587)	(1,008)
Finance costs	7	2,549	1,046
Share based payment transactions		621	518
Income tax expense/(credit)	11	1,710	(1,947)
		<u>30,842</u>	<u>(19,530)</u>
Working capital adjustments			
Increase in inventories	16	(2,623)	(4,553)
Increase in trade and other receivables	17	(22,151)	(5,425)
Increase in trade and other payables	19	40,016	28,866
Increase in provisions	25	189	178
Decrease in deferred income, including government grants		<u>(3,268)</u>	<u>(13,592)</u>
Net cash flow generated from/(used in) operating activities		<u>43,005</u>	<u>(14,056)</u>
Cash flows from investing activities			
Interest received	7	587	1,008
Acquisitions of property plant and equipment		(1,668)	(9,897)
Acquisition of intangible assets	13	(1,940)	(7,585)
Acquisition of subsidiary, net of cash acquired		(58,602)	(99)
Proceeds from disposal of subsidiaries		<u>-</u>	<u>38,186</u>
Net cash flows (used in)/generated from investing activities		<u>(61,623)</u>	<u>21,613</u>
Cash flows from financing activities			
Interest paid	7	(2,549)	(1,046)
Proceeds from issue of ordinary shares, net of issue costs		-	49
Payments for purchase of own shares		(688)	(338)
Proceeds from bank borrowing draw downs		<u>34,847</u>	<u>-</u>
Net cash flows generated from/(used in) financing activities		<u>31,610</u>	<u>(1,335)</u>
Net increase in cash and cash equivalents		12,992	6,222
Cash and cash equivalents at 1 January		<u>70,387</u>	<u>64,165</u>
Cash and cash equivalents at 31 December		<u>83,379</u>	<u>70,387</u>

The notes on pages 19 to 54 form an integral part of these financial statements.

Imagination Industries Ltd

Company Statement of Cash Flows for the Year Ended 31 December 2017

	Note	2017 £ 000	2016 £ 000
Cash flows from operating activities			
Profit/(loss) for the year		12,142	(15,229)
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	6	34	29
Foreign exchange gain	6	-	(6)
Finance income	7	(579)	(849)
Finance costs	7	981	1,046
Income tax charge	11	527	57
		<u>13,105</u>	<u>(14,952)</u>
Working capital adjustments			
(Increase)/decrease in trade and other receivables	17	(11,828)	8,058
Decrease in trade and other payables	19	<u>(390)</u>	<u>(2,165)</u>
Net cash flow generated from/(used in) operating activities		<u>887</u>	<u>(9,059)</u>
Cash flows from investing activities			
Interest received	7	579	849
Acquisition of shares in subsidiaries	14	<u>(688)</u>	<u>(334)</u>
Net cash flows (used in)/generated from investing activities		<u>(109)</u>	<u>515</u>
Cash flows from financing activities			
Interest paid	7	(981)	(1,046)
Proceeds from bank borrowing draw downs		<u>2,000</u>	<u>-</u>
Net cash flows generated from/(used in) financing activities		<u>1,019</u>	<u>(1,046)</u>
Net increase/(decrease) in cash and cash equivalents		1,797	(9,590)
Cash and cash equivalents at 1 January		<u>3,273</u>	<u>12,863</u>
Cash and cash equivalents at 31 December		<u><u>5,070</u></u>	<u><u>3,273</u></u>

The notes on pages 19 to 54 form an integral part of these financial statements.

Imagination Industries Ltd

Notes to the Financial Statements for the Year Ended 31 December 2017

1 General information

The company is a private company limited by share capital, incorporated and domiciled in England and Wales.

The address of its registered office is:
140-142 Kensington Church Street
London
United Kingdom
W8 4BN

These financial statements were authorised for issue by the Board on 28 September 2018.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed at the end of this note.

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in 'Pounds Sterling' (£), which is the Group's functional and the Group's presentation currency.

Going concern

Whilst the Group has net liabilities, it made a profit in the year ended 31 December 2017, and expects to make profits in the future. Therefore, the financial statements have been prepared on a going concern basis. The Group meets its day-to-day working capital requirements through cash reserves and the Shell facility. The arrangement enables OVO to purchase commodity in advance in the forward markets, providing a hedge against its commitments to customers. The Shell commodity purchasing arrangement gives rise to a variable liability to Shell which is a combination of accounts payable and future purchase commitments secured on some the cash of Ovo Energy Ltd.

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current cash reserves and facilities. The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore, continues to adopt the going concern basis in preparing its financial statements.

Basis of consolidation

The group financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 31 December 2017.

No income statement is presented for the company as permitted by section 408 of the Companies Act 2006. The company made a profit after tax for the financial year of £12,142,000 (2016 - loss of £15,228,967).

Imagination Industries Ltd

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

2 Accounting policies (continued)

A subsidiary is an entity controlled by the company. Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the group.

The purchase method of accounting is used to account for business combinations that result in the acquisition of subsidiaries by the group. The cost of a business combination is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the business combination. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised is recorded as goodwill.

Inter-company transactions, balances and unrealised gains on transactions between the company and its subsidiaries, which are related parties, are eliminated in full.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group. Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling shareholder's share of changes in equity since the date of the combination. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Revenue recognition

Revenue arises from the supply of gas and electricity and related services as these costs are incurred; amounts are derived from provision of goods and services that fall within the ordinary activities of the Group. Revenue is recognised net of value added tax (VAT) and climate change levy (CCL).

Revenue from the supply of gas and electricity is a function of end user consumption (according to industry settlement data) and tariff rates (specified by contract terms) net of suppliers that are not billable. Revenue is recognised net of sales discounts.

Accrued revenue, representing gas and electricity supplied since the last billing date, is recognised in the balance sheet and is netted off against deferred income to the extent it can be matched against specific customer payments.

Revenue also arises from the installation of smart meters. Revenue is recognised upon the date of installation and net of value added tax (VAT).

All revenue arose within the United Kingdom.

Finance income and costs policy

Financing expense comprises interest payable on loans and is recognised in profit or loss using the effective interest method. Financing income comprises interest receivable on funds invested and on loans to group undertakings.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

Imagination Industries Ltd

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

2 Accounting policies (continued)

Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the initial transaction dates.

Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

The assets and liabilities of foreign operations are translated into sterling at exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated into sterling at rates approximating to the exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation of foreign operations are recognised in the foreign currency translation reserve.

Tax

The tax expense for the period comprises current tax and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the group operates and generates taxable income.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Property, plant and equipment

Property, plant and equipment is stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of property, plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Leasehold property	Period of the lease
Fixtures, fittings and office equipment	3 years straight line
Meter assets	10 years straight line
Motor vehicles	3 years straight line

Imagination Industries Ltd

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

2 Accounting policies (continued)

Goodwill

Goodwill arises on business combinations and represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired. Where the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities of the acquired entity is greater than the cost of acquisition, the excess is immediately recognised in the income statement.

Goodwill is recognised as an asset at cost and is tested at least annually for impairment. If an impairment is identified, the carrying value of the goodwill is written down immediately through the income statement and is not subsequently reversed. At the date of disposal of a subsidiary, the carrying value of attributable goodwill is included in the calculation of profit and loss on disposal.

Intangible assets

a) Trademarks and licenses

Separately acquired trademarks and licenses are shown at historical cost. Trademarks and licences acquired in a business combination are recognised at fair value at the acquisition date. Trademarks and licenses have a finite useful life and are carried at cost less accumulated amortisation.

b) Computer software and licenses

Acquired computer software and licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
 - management intends to complete the software product and use or sell it;
 - there is an ability to use or sell the software product;
 - it can be demonstrated how the software product will generate probable future economic benefits;
 - adequate technical, financial and other resources to complete the development and to use or sell the software are available;
- and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant attributable overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software and licences acquired in a business combination are recognised at fair value at the acquisition date.

Amortisation

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their expected useful economic life as follows:

Asset class	Amortisation method and rate
Other intangible assets	3 years straight line
IT software and internally developed software costs	3 years straight line
Trade names	10 years straight line
Contractual customer relationships	10 years straight line
Engineer network	10 years straight line

Imagination Industries Ltd

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

2 Accounting policies (continued)

Investments

Investments in subsidiaries are carried at cost, less any impairment.

Interest income on debt securities, where applicable, is recognised in income using the effective interest method. Dividends on equity securities are recognised in income when receivable.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables.

Inventories

Under the provisions of the Utilities Act 2000, all electricity suppliers are required to procure a set percentage of their supplies from accredited renewable electricity generators. This obligation can be fulfilled by the purchase and surrender of Renewables Obligation Certificates (ROCs) originally issued to generators, or, by making payment to Ofgem who then recycle the payments to purchasers of ROCs. In addition to the regulatory requirements, the Group surrenders additional ROCs to demonstrate its environmental credentials transparently. The accounting policy distinguishes between the cost of the Group's obligations within the regulatory regime and the tactical disposition towards purchasing and holding ROCs. The cost obligation is recognised as it arises and is charged to the income statement for the year to which the charge relates as a reduction in gross margin. Gains or losses on disposal of ROCs are included in the income statement as and when they crystallize. The stock of ROCs carried forward is valued at the lower of cost and estimated net realisable value. Cost is based on the first-in first-out principle.

Smart meter inventory is stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable selling expenses.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Imagination Industries Ltd

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

2 Accounting policies (continued)

Borrowings

All borrowings are initially recorded at the amount of proceeds received, net of transaction costs. Borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the income statement over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in finance costs.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Provisions

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that the group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

Employee benefits

The Group operates a flexible benefit scheme for qualifying employees whereby in addition to their salary, those employees are invited to select certain benefits with a value of up to 4% of their base pay. All costs related to the scheme are expensed in the income statement in the years which services are rendered by employees. One of the available benefits is payment to a defined contribution pension plan. This is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. The Group has enrolled in the automatic pension scheme since November 2013.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash flows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

Imagination Industries Ltd

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

2 Accounting policies (continued)

Share based payments

Ovo Group Ltd operates a number of equity-settled, share based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of Ovo Group Ltd. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions.

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore, the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

At the end of each reporting period, Ovo Group Ltd revises their estimates of the number of options that are expected to vest based on the non-market vesting conditions. They recognise the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

When the options are exercised, Ovo Group Ltd issue new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

The grant by Ovo Group Ltd of options over their equity instruments to the employees of subsidiary undertakings in the Group (such as to employees of Ovo Energy Ltd) is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

The social security contributions payable in connection with the grant of the share options is considered an integral part of the grant itself, and the charge will be treated as a cash-settled transaction.

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a separate entity and the Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans contributions are paid publicly or privately administered pension insurance plans on a mandatory or contractual basis. The contributions are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as an asset.

Imagination Industries Ltd

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

2 Accounting policies (continued)

Financial assets

Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet.

Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date; the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'Cost of sales' in the period in which they arise.

Impairment

(a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the income statement.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Imagination Industries Ltd

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

2 Accounting policies (continued)

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration that may be paid by an acquirer as part of a business combination to which IFRS 3 applies, (ii) held for trading, or (iii) it is designated as at FVTPL

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the profit and loss account.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Derivatives and hedging

The Company uses commodity purchase contracts to hedge its exposures to fluctuations in gas and electricity commodity prices. When commodity purchase contracts have been entered into as part of the Company's normal business activity, the Company classifies them as 'own use' contracts and outside the scope of IAS 39.

This is achieved when:

- A physical delivery takes place under all such contracts;
- The volumes purchased or sold under the contracts corresponds to the Company's operating requirements; and
- The contracts are not considered as written options as defined by the standard.

Commodity purchase contracts not qualifying as 'own use' which also meet the definition of a derivative are within the scope of IAS 39 as derivative financial instruments. This includes both financial and non-financial contracts.

Derivatives and other financial instruments are measured at fair value on the contract date and are re-measured to fair value at subsequent reporting dates. Changes in the fair value of derivatives and other financial instruments are recognised in the income statement as they arise.

Imagination Industries Ltd

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

2 Accounting policies (continued)

Changes in accounting policy

None of the standards, interpretations and amendments effective for the first time from 1 January 2017 have had a material effect on the financial statements.

New standards and interpretations and amendments not yet effective

None of the standards, interpretations and amendments which are effective for periods beginning after 1 January 2017 and which have not been adopted early, are expected to have a material effect on the financial statements.

IFRS 9

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost; fair value through other comprehensive income; and fair value through profit or loss.

The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income, not recycling. An expected credit losses model replaces the incurred loss impairment model used in IAS 39. For financial liabilities, there are no changes to classification and measurement, except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss.

IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright-line hedge effectiveness tests. To qualify for hedge accounting, it requires an economic relationship between the hedged item and hedging instrument, and for the 'hedged ratio' to be the same as the one that management actually uses for risk management purposes. Contemporaneous documentation is still required, but it is different from that currently prepared under IAS 39. There is an accounting policy choice to continue to account for all hedges under IAS 39. IFRS 9 is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted.

The group is working towards the implementation of IFRS 9 on 1 January 2018. Based on a high level review it anticipates that the classification and measurement basis for its financial assets and liabilities will be largely unchanged by adoption of IFRS 9, and expects to take the accounting policy choice to continue to account for all hedges under IAS 39. The main impact of adopting IFRS 9 is likely to arise from the implementation of the expected loss model. Currently the impact on accumulated losses / profit for future periods is not expected to be material.

IFRS 15

IFRS 15, 'Revenue from contracts with customers', deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. Variable consideration is included in the transaction price if it is highly probable that there will be no significant reversal of the cumulative revenue recognised when the uncertainty is resolved.

The standard replaces IAS 18, 'Revenue', and IAS 11, 'Construction contracts', and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018, and earlier application is permitted.

The group is working towards the implementation of IFRS 15 on 1 January 2018 and has carried out a high level review of existing contractual arrangements as part of this process. The directors currently anticipate there will be no material impact for the energy retail, smart meter installation or the sale of home and emergency cover revenue streams.

Imagination Industries Ltd

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

2 Accounting policies (continued)

IFRS 16

IFRS 16, 'Leases', addresses the definition of a lease, recognition and measurement of leases, and it establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from IFRS 16 is that most operating leases will be accounted for on balance sheet for lessees.

The standard replaces IAS 17, 'Leases', and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2019, and earlier application is permitted, subject to EU endorsement and the entity adopting IFRS 15, 'Revenue from contracts with customers', at the same time.

The group is working towards the implementation of IFRS 16 on 1 January 2019. Management are still reviewing the expected impact of the implementation of this new standard.

3 Critical accounting judgements and key sources of estimation uncertainty

The key estimates and judgements made by the directors in the preparation of the financial statements are in respect of revenue recognition, impairment of trade receivables and recognition of deferred tax assets.

Revenue recognition - gas revenues measurement change to accounting estimate

The nature of the energy industry in the UK in which the Group operates is such that the Group's revenue recognition is subject to a degree of estimation. Revenue for the supply of electricity and gas was previously recognised in a top down basis using customer tariff rates and industry settlement data (specific to the Group) net of estimated supplies that are not billable. The industry settlement data is the estimated quantity the industry system operator deems the individual suppliers, including the Company, to have supplied.

Revenue recognition - energy supplied but not yet measured

The quantities of the energy supplied to OVO customers but not measured and billed are calculated at the reporting date based on consumption statistics and selling price estimates. Determination of the unbilled proportion of sales revenues at the year-end is sensitive to the assumptions used to prepare these statistics and estimates.

Impairment of trade receivables

Impairments against trade receivables are recognised where the loss is probable. The Directors have based their assessment of the level of impairment on collection rates experienced by the Group to date. The estimates and assumptions used to determine the level of provision will continue to be reviewed periodically and could lead to changes in the impairment provision methodology which would impact the income statement in future years.

Deferred tax assets

Deferred tax assets are only recognised when it is considered more likely than not that the Group will make future taxable profits against which the deferred tax asset can be utilised. Having assessed the level profits made by the Group since the year end and forecasts of revenue and costs for the coming years, the directors believe it is probable that the Group will generate sustainable profits and therefore a deferred tax asset has been recognised.

Imagination Industries Ltd

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

4 Revenue

The analysis of the group's revenue for the year from continuing operations is as follows:

	2017 £ 000	2016 £ 000
Sale of gas and electricity	726,110	716,980
Installation of smart meters	84,915	-
Sale of home emergency cover	13,123	-
Other revenue	9,505	-
	<u>833,653</u>	<u>716,980</u>

5 Other gains and losses

The analysis of the group's other gains and losses for the year is as follows:

	2017 £ 000	2016 £ 000
Gain on disposal of subsidiary	-	38,246

6 Operating profit

Arrived at after charging/(crediting)

	2017 £ 000	2016 £ 000
Depreciation expense	3,246	3,138
Amortisation expense	7,863	7,457
Impairment loss	173	-
Write-down of inventory to net realisable value	-	43,351
Foreign exchange (losses)/gains	(3)	3
Operating lease expense - property	<u>2,038</u>	<u>1,502</u>

7 Finance income and costs

	2017 £ 000	2016 £ 000
Finance income		
Interest income on loans	587	1,008
Finance costs		
Interest on bank overdrafts and borrowings	<u>(2,549)</u>	<u>(1,046)</u>
Net finance costs	<u>(1,962)</u>	<u>(38)</u>

Imagination Industries Ltd

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

8 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2017 £ 000	2016 £ 000
Wages and salaries	51,807	38,931
Social security costs	4,699	3,597
Pension costs, defined contribution scheme	979	753
Share-based payment expenses	621	518
Other employee expense	473	499
	<u>58,579</u>	<u>44,298</u>

The monthly average number of persons employed by the group (including directors) during the year, analysed by category was as follows:

	2017 No.	2016 No.
Administration and support	337	223
Sales, marketing and distribution	940	889
	<u>1,277</u>	<u>1,112</u>

Company

The Company had no employees in the year (2016: no employees). Salary recharges from subsidiaries amounted to £178,000 (2016: nil) with an additional £36,000 (2016: nil) of social security costs and £5,000 (2016: nil) of contributions to a defined contribution pension scheme.

9 Directors' remuneration

Total directors' remuneration for the year was £1,265,000 (2016: £1,019,000) with pension contributions of £21,000 (2016: £19,000).

The highest paid director in the year received remuneration of £409,000 (2016: £341,000) and contributions to the pension scheme of £9,000 (2016: 8,000).

10 Auditors' remuneration

	2017 £ 000	2016 £ 000
Audit of these financial statements	14	11
Audit of the financial statements of subsidiary companies	178	139
	<u>192</u>	<u>150</u>
Other fees to auditors		
Audit-related assurance services	28	9
Taxation compliance services	91	27
All other tax advisory services	37	-
	<u>156</u>	<u>36</u>

Imagination Industries Ltd

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

11 Taxation

Tax charged/(credited) in the income statement

	2017 £ 000	2016 £ 000
Current taxation		
UK corporation tax	<u>1,710</u>	<u>(1,947)</u>

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2016 - lower than the standard rate of corporation tax in the UK) of 19.25% (2016 - 20%).

The differences are reconciled below:

	2017 £ 000	2016 £ 000
Profit before tax	<u>17,153</u>	<u>7,562</u>
Corporation tax at standard rate	3,302	1,512
Increase (decrease) in current tax from adjustment for prior periods	166	245
Increase (decrease) from effect of expenses not deductible in determining taxable profit (tax loss)	(1,342)	(7,512)
Deferred tax expense (credit) from unrecognised temporary difference from a prior period	53	(772)
Deferred tax expense (credit) relating to changes in tax rates or laws	(143)	1,063
Decrease from pre-acquisition of subsidiaries tax charge	(347)	-
Other tax effects for reconciliation between accounting profit and tax expense (income)	<u>21</u>	<u>3,517</u>
Total tax charge/(credit)	<u><u>1,710</u></u>	<u><u>(1,947)</u></u>

The main rate of UK corporation tax for the year to 31 March 2016 was 20%, dropping for the year to 31 March 2017 to 19%.

At Budget 2016, the government announced a further reduction to the corporation tax main rate (for all profits except ring fenced profits) for the year starting 1 April 2020, setting the rate at 17%. The deferred tax balance has been presented in accordance with this rate.

Imagination Industries Ltd

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

11 Taxation (continued)

Deferred tax

Group

Deferred tax assets and liabilities

	Asset £ 000	Liability £ 000	Net deferred tax £ 000
2017			
Accelerated tax depreciation	841	-	841
Tax losses carry-forwards	12,498	-	12,498
Pension benefit obligations	-	-	-
Revaluation of intangible assets	155	(5,360)	(5,205)
	<u>13,494</u>	<u>(5,360)</u>	<u>8,134</u>

	Asset £ 000
2016	
Accelerated tax depreciation	149
Tax losses carry-forwards	13,984
Pension benefit obligations	-
Revaluation of intangible assets	-
	<u>14,133</u>

Deferred tax movement during the year:

	At 1 January 2017 £ 000	Recognised in income £ 000	Recognised on business combinations £ 000	At 31 December 2017 £ 000
Accelerated tax depreciation	663	178	-	841
Tax losses carry-forwards	13,984	(1,486)	-	12,498
Pension benefit obligations	-	-	-	-
Revaluation of intangible assets	(514)	783	(5,474)	(5,205)
Net tax assets/(liabilities)	<u>14,133</u>	<u>(525)</u>	<u>(5,474)</u>	<u>8,134</u>

Deferred tax movement during the prior year:

	At 1 January 2016 £ 000	Recognised in income £ 000	At 31 December 2016 £ 000
Accelerated tax depreciation	(788)	1,451	663
Tax losses carry-forwards	12,949	1,035	13,984
Pension benefit obligations	23	(23)	-
Revaluation of intangible assets	-	(514)	(514)
Net tax assets/(liabilities)	<u>12,184</u>	<u>1,949</u>	<u>14,133</u>

Imagination Industries Ltd

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

11 Taxation (continued)

Company

Deferred tax assets

Deferred tax asset movement during the year:

	At 1 January 2017 £ 000	Recognised in income £ 000	At 31 December 2017 £ 000
Accelerated tax depreciation	3	(3)	-

Deferred tax asset movement during the prior year:

	At 1 January 2016 £ 000	Recognised in income £ 000	At 31 December 2016 £ 000
Accelerated tax depreciation	-	3	3

Imagination Industries Ltd

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

12 Property, plant and equipment

Group

	Leasehold property £ 000	Fixtures, fittings and office equipment £ 000	Motor vehicles £ 000	Meter assets £ 000	Total £ 000
Cost or valuation					
At 1 January 2016	5,291	2,558	94	27,868	35,811
Additions	986	1,584	-	7,327	9,897
Acquired through business combinations	-	171	-	-	171
Disposals	-	-	-	(35,106)	(35,106)
At 31 December 2016	6,277	4,313	94	89	10,773
At 1 January 2017	6,277	4,313	94	89	10,773
Additions	854	828	-	-	1,682
Acquired through business combinations	11	120	-	-	131
Disposals	-	(43)	-	-	(43)
At 31 December 2017	7,142	5,218	94	89	12,543
Accumulated Depreciation					
At 1 January 2016	1,964	1,430	10	1,869	5,273
Charge for year	1,778	1,011	29	320	3,138
Eliminated on disposal	-	-	-	(2,157)	(2,157)
At 31 December 2016	3,742	2,441	39	32	6,254
At 1 January 2017	3,742	2,441	39	32	6,254
Charge for the year	1,919	1,270	34	23	3,246
Eliminated on disposal	-	(30)	-	-	(30)
At 31 December 2017	5,661	3,681	73	55	9,470
Carrying amount					
At 31 December 2017	1,481	1,537	21	34	3,073
At 31 December 2016	2,535	1,872	55	57	4,519
At 1 January 2016	3,327	1,128	84	25,999	30,538

Meter assets were held by Smart Meter Assets 1 Ltd and have reduced to nil in 2016 due to the disposal of the subsidiary.

Imagination Industries Ltd

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

12 Property, plant and equipment (continued)

Company

	Motor vehicles £ 000	Total £ 000
Cost or valuation		
At 1 January 2016	94	94
At 31 December 2016	94	94
At 1 January 2017	94	94
At 31 December 2017	94	94
Accumulated Depreciation		
At 1 January 2016	10	10
Charge for year	29	29
At 31 December 2016	39	39
At 1 January 2017	39	39
Charge for the year	34	34
At 31 December 2017	73	73
Carrying amount		
At 31 December 2017	21	21
At 31 December 2016	55	55
At 1 January 2016	84	84

Imagination Industries Ltd

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

13 Intangible assets

Group

	Goodwill £ 000	Internally generated software development costs £ 000	Other intangible assets £ 000	Total £ 000
Cost or valuation				
At 1 January 2016	-	14,273	738	15,011
Additions	-	7,585	-	7,585
Acquired through business combinations	2,861	2,873	-	5,734
Disposals	-	(4,568)	-	(4,568)
At 31 December 2016	2,861	20,163	738	23,762
At 1 January 2017	2,861	20,163	738	23,762
Additions	-	1,940	-	1,940
Acquired through business combinations	37,265	800	31,400	69,465
At 31 December 2017	40,126	22,903	32,138	95,167
Amortisation				
At 1 January 2016	-	6,255	165	6,420
Amortisation charge	-	7,395	63	7,458
Amortisation eliminated on disposals	-	(4,568)	-	(4,568)
At 31 December 2016	-	9,082	228	9,310
At 1 January 2017	-	9,082	228	9,310
Amortisation charge	-	5,720	2,143	7,863
Impairment	-	173	-	173
At 31 December 2017	-	14,975	2,371	17,346
Carrying amount				
At 31 December 2017	40,126	7,928	29,767	77,821
At 31 December 2016	2,861	11,081	510	14,452
At 1 January 2016	-	8,018	573	8,591

The amortisation charge of £7,863,000 (31 December 2016: £7,458,000) is recognised in administrative expenses.

Imagination Industries Ltd

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

13 Intangible assets (continued)

The carrying amount of internally developed software, supporting a supplier contract has been reduced to its recoverable amount through recognition of an impairment loss against Internally generated software development costs. This loss has been included in administrative expenses in the income statement.

There was no further indication of impairment of the goodwill, trademark or industry accreditation during the year. The carrying amount of the trademark and industry accreditation were reviewed at the reporting date and management determined that there were no indicators of impairment. The annual test for impairment was undertaken using discounted cash flow forecasts.

Goodwill, trademarks and industry accreditation are regarded by management to have an indefinite life as there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group and circumstances continue to support the assessment that the useful life is indefinite. Trademarks relate to the brand of the Ovo group of companies and are expected to be valid for the life of the companies, which operate in an industry with stable market demand. Industry accreditation is required for the Group to operate in the electricity and gas supply industry.

Company

	Brand £ 000
Cost or valuation	
At 1 January 2016	2,000
At 31 December 2016	2,000
At 1 January 2017	2,000
At 31 December 2017	2,000
Carrying amount	
At 31 December 2017	2,000
At 31 December 2016	2,000
At 1 January 2016	2,000

14 Investments in subsidiaries

Group subsidiaries

Details of the group subsidiaries as at 31 December 2017 are as follows (*indicates direct investment of the company):

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held by the group	
			2017	2016
Ovo Group Ltd*	Management entity	1 Rivergate, Temple Quay, Bristol, BS1 6ED, UK	71.52%	71.52%
Ovo Energy Ltd	Sale of electricity and gas to customers in the UK	1 Rivergate, Temple Quay, Bristol, BS1 6ED, UK	71.52%	71.52%
Ovo Electricity Ltd	Procurement and sale of electricity	1 Rivergate, Temple Quay, Bristol, BS1 6ED, UK	71.52%	71.52%
Ovo Gas Ltd	Supply of gas and UK related services	1 Rivergate, Temple Quay, Bristol, BS1 6ED, UK	71.52%	71.52%

Imagination Industries Ltd

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

14 Investments in subsidiaries (continued)

OVO Insurance Services Ltd	Dormant	1 Rivergate, Temple Quay, Bristol, BS1 6ED, UK	71.52%	71.52%
Lumo Online Ltd	Dormant	1 Rivergate, Temple Quay, Bristol, BS1 6ED, UK	71.52%	71.52%
ONI Energy Ltd	Dormant	Murray House, Murray Street, Belfast, BT1 6DN, UK	71.52%	71.52%
ONI Electricity Ltd	Dormant	Murray House, Murray Street, Belfast, BT1 6DN, UK	71.52%	71.52%
ONI Gas Ltd	Dormant	Murray House, Murray Street, Belfast, BT1 6DN, UK	71.52%	71.52%
Imagination Industries Incubator Ltd*	Provider of intragroup support services and start up incubator	140 - 142 Kensington Church Street, London, W8 4BN, UK	100%	-
Vertical Aerospace Ltd* (formerly Imagination Industries Incubator Ltd)	Research and development of aerospace technology	140 - 142 Kensington Church Street, London, W8 4BN, UK	100%	100%
Imagine Just 3 Things Ltd*	Commercial software developer	140 - 142 Kensington Church Street, London, W8 4BN, UK	100%	-
Imagination Industries Pty Ltd*	Energy start up incubator	Australia	100%	-
In Home Technology Limited	Management entity for smart meter business	1 Rivergate, Temple Quay, Bristol, BS1 6ED, UK	71.52%	71.52%
Hybrid Energy Solutions Ltd	Electric vehicle charge point installer	Unit 1b Silver House Adelphi Way, Ireland Industrial Estate, Staveley, Chesterfield, S43 3LJ, UK	36.48%	-
Smart Meter Finance Ltd	Dormant	1 Rivergate, Temple Quay, Bristol, BS1 6ED, UK	71.52%	71.52%
Intelligent Energy Technology Ltd	Product development and provision of trading services	1 Rivergate, Temple Quay, Bristol, BS1 6ED, UK	71.52%	71.52%
VCharge Inc	Development and provision of demand side grid balancing services	USA	71.52%	71.52%
VCharge UK Ltd	Development and provision of demand side grid balancing services	1 Masterton Park, South Castle Drive, Dunfermline, KY11 8NX, UK	71.52%	71.52%
VCharge Trading Ltd	Dormant	15 Atholl Crescent, Edinburgh, EH3 8HA, UK	71.52%	71.52%
Lilibet Holdings Ltd	Holding company	1 Rivergate, Temple Quay, Bristol, BS1 6ED, UK	71.52%	-
Lilibet Finance Ltd	Holding company	1 Rivergate, Temple Quay, Bristol, BS1 6ED, UK	71.52%	-
CLCB Holdings Ltd	Holding company	1 Masterton Park, South Castle Drive, Dunfermline, KY11 8NX, UK	71.52%	-

Imagination Industries Ltd

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

14 Investments in subsidiaries (continued)

Corgi Homeplan Ltd	Provider of boiler and home care cover	1 Masterton Park, South Castle Drive, Dunfermline, KY11 8NX, UK	71.52%	-
Corgi Homeheat Ltd	Installation of boilers	1 Masterton Park, South Castle Drive, Dunfermline, KY11 8NX, UK	71.52%	-
Homeplan Ltd	Dormant	1 Rivergate, Temple Quay, Bristol, BS1 6ED, UK	71.52%	-

Summary of the company investments

	31 December 2017 £ 000	31 December 2016 £ 000
Investments in subsidiaries	<u>3,122</u>	<u>2,434</u>
Subsidiaries		£ 000
Cost or valuation		
At 1 January 2016		2,100
Additions		<u>334</u>
At 31 December 2016		<u>2,434</u>
At 1 January 2017		2,434
Additions		<u>688</u>
At 31 December 2017		<u>3,122</u>
Provision		
Carrying amount		
At 31 December 2017		<u>3,122</u>
At 31 December 2016		<u>2,434</u>
At 1 January 2016		<u>2,100</u>

Imagination Industries Ltd

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

15 Acquisition of subsidiary

On 5 May 2017, the group acquired 100% of the issued share capital of CLCB Holdings Ltd, obtaining control. The principal activity of CLCB Holdings Ltd is a provider of boiler home care cover. CLCB Holdings Ltd was acquired so that as a result of the acquisition, the group is expected to diversify into the boiler and home care cover market

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below:

	31 December 2017 £ 000
Assets and liabilities acquired	
Financial assets	8,009
Property, plant and equipment	129
Identifiable intangible assets	32,200
Financial liabilities	<u>(8,480)</u>
Total identifiable assets	<u>31,858</u>
Goodwill	<u>36,872</u>
Total consideration	<u><u>68,730</u></u>
Satisfied by:	
Cash	59,730
Other	<u>9,000</u>
Total consideration transferred	<u><u>68,730</u></u>
Cash flow analysis:	
Cash consideration	<u><u>59,730</u></u>

The fair value of the financial assets includes receivables with a fair value of £2,216,000 and a gross contractual value of £2,216,000.

The goodwill of £36,872,000 arising from the acquisition consists of the knowledge and workforce acquired and other non identifiable assets. None of the goodwill is expected to be deductible for income tax purposes.

Intangible assets of £32,200,000 were recognised on acquisition of CLCB Holdings Ltd. This comprises:

- £800,000 of IT Software
- £5,500,000 for the Corgi trade name
- £19,800,000 for existing customer relationships
- £6,100,000 for the engineer network that CLCB Holdings Ltd has in place

A deferred consideration of £5,000,000 was recognised at the acquisition date which is due over the next two years.

Imagination Industries Ltd

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

15 Acquisition of subsidiary (continued)

On 10 April 2017, the group acquired 51% of the issued share capital of Hybrid Energy Solutions Ltd, obtaining control. The principal activity of Hybrid Energy Solutions Ltd is an installer of electric vehicle charge points. Hybrid Energy Solutions Ltd was acquired so that as a result of the acquisition, the group is expected to diversify into the electric vehicle charge point installation market.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below:

	31 December 2017 £ 000
Assets and liabilities acquired	
Financial assets	100
Property, plant and equipment	2
Identifiable intangible assets	5
Financial liabilities	(251)
Total identifiable assets	(144)
Goodwill	394
Total consideration	250
Satisfied by:	
Cash	250
Cash flow analysis:	
Cash consideration	250

The fair value of the financial assets includes receivables with a fair value of £54,000 and a gross contractual value of £54,000.

The goodwill of £394,000 arising from the acquisition consists of the knowledge and workforce acquired and other non identifiable assets. None of the goodwill is expected to be deductible for income tax purposes.

16 Inventories

	Group		Company	
	31 December 2017 £ 000	31 December 2016 £ 000	31 December 2017 £ 000	31 December 2016 £ 000
Finished goods and goods for resale	7,325	4,702	-	-

The cost of ROCs recognised as an expense in the year amounted to £50,063,000 (2016 - £40,229,000). This is included within cost of sales.

Imagination Industries Ltd

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

17 Trade and other receivables

	Group		Company	
	31 December 2017 £ 000	31 December 2016 £ 000	31 December 2017 £ 000	31 December 2016 £ 000
Trade receivables and accrued income	92,410	74,936	-	1,069
Provision for impairment of trade receivables and accrued income	(40,286)	(24,397)	-	-
Net trade receivables	52,124	50,539	-	1,069
Receivables from related parties	1,282	-	3,107	-
Loans to related parties	10,715	1,431	10,715	3,205
Prepayments	4,896	2,750	49	50
Other receivables	14,499	3,521	2,522	239
	<u>83,516</u>	<u>58,241</u>	<u>16,393</u>	<u>4,563</u>

Loans to related parties is shown net of a £17,931,000 provision in the current year (2015: £Nil).

The fair value of those trade and other receivables classified as financial instrument loans and receivables are disclosed in the financial instruments note.

The group's exposure to credit and market risks, including impairments and allowances for credit losses, relating to trade and other receivables is disclosed in note "Financial risk management and impairment of financial assets - company".

18 Cash and cash equivalents

	Group		Company	
	31 December 2017 £ 000	31 December 2016 £ 000	31 December 2017 £ 000	31 December 2016 £ 000
Cash at bank	<u>83,379</u>	<u>70,387</u>	<u>5,070</u>	<u>3,273</u>

19 Trade and other payables

	Group		Company	
	31 December 2017 £ 000	31 December 2016 £ 000	31 December 2017 £ 000	31 December 2016 £ 000
Trade payables	57,050	32,611	-	12
Accrued expenses	81,275	63,056	44	422
Amounts due to related parties	1,282	-	-	-
Social security and other taxes	1,281	158	-	-
Other payables	1,188	29	-	-
	<u>142,076</u>	<u>95,854</u>	<u>44</u>	<u>434</u>

Imagination Industries Ltd

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

19 Trade and other payables (continued)

The fair value of the trade and other payables classified as financial instruments are disclosed in the financial instruments note.

The group's exposure to market and liquidity risks, including maturity analysis, related to trade and other payables is disclosed in note "Financial risk management and impairment of financial assets - company".

20 Share capital

Allotted, called up and fully paid shares

	31 December 2017		31 December 2016	
	No.	£	No.	£
Ordinary share capital of £0.0001 each	950,000	95.00	950,000	95.00

21 Loans and borrowings

	Group		Company	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
	£ 000	£ 000	£ 000	£ 000
Non-current loans and borrowings				
Bank borrowings	32,949	-	-	-
Other borrowings	-	10,101	-	10,000
	<u>32,949</u>	<u>10,101</u>	<u>-</u>	<u>10,000</u>
	Group		Company	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
	£ 000	£ 000	£ 000	£ 000
Current loans and borrowings				
Bank borrowings	50	-	-	-
Other borrowings	12,000	-	12,000	-
	<u>12,050</u>	<u>-</u>	<u>12,000</u>	<u>-</u>

Group

Bank borrowings

The loan taken by Lilibet Finance Ltd with HSBC and Investec during the year is denominated in GBP with a nominal interest rate of 5.65%, and with the final instalment due on 28 February 2023. The carrying amount at year end is £32,949,000 (2016 - £Nil).

The loans and borrowings classified as financial instruments are disclosed in the financial instruments note.

The group's exposure to market and liquidity risk; including maturity analysis, in respect of loans and borrowings is disclosed in note "Financial risk management and impairment of financial assets - company".

Imagination Industries Ltd

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

22 Obligations under leases and hire purchase contracts

Group

Operating leases

The Group leases two office premises in Bristol and London under non-cancellable operating lease agreements.

Lease rentals are included in the income statement.

The total future value of minimum lease payments is as follows:

	31 December 2017 £ 000	31 December 2016 £ 000
Within one year	2,381	1,823
In two to five years	7,443	9,318
	<u>9,824</u>	<u>11,141</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £2,058,000 (2016 - £1,502,000)

23 Pension and other schemes

Defined contribution pension scheme

The group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the group to the scheme and amounted to £979,000 (2016 - £753,000).

Imagination Industries Ltd

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

24 Share-based payments

Ovo Group Ltd Share Scheme

Scheme details and movements

In July 2014, Ovo Group Ltd established a new employee share plan. Under the terms of the scheme, Ovo Group Ltd awarded its own employees and employees of Ovo Energy Ltd class B, C, D and E ordinary shares in Ovo Group Ltd.

B shares ('Employee Shareholder Scheme') are free shares awarded to employees in line with the UK government's employee shareholder status rules. They have a three year vesting period.

Employees are given the option to purchase C shares from their bonus. They have a one year vesting period.

D shares are also awarded as part of the LTIP scheme. These shares have been issued in tranches, (2016 called: D5 and D6)), to reflect the valuation of the company at the date of the award. They have a vesting period based on performance conditions.

E shares are also awarded as part of the LTIP scheme. These shares have been issued in tranches (called E1 in 2017 (2016: none)), to reflect the valuation of the company at the date of the award. They have a vesting period based on performance conditions.

The scheme is equity settled and a fair value liability was calculated on grant date. The expense is charged to the income statement on a straight line basis over the expected vesting period of the awards.

Analysis of charge to the consolidated income statement

£000	2017	2016
'B' Shares	-	201
'C' Shares	-	-
'D' Shares	435	317
'E' Shares	-	-
	<hr/> 435	<hr/> 518

Imagination Industries Ltd

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

24 Share-based payments (continued)

Reconciliation of movements in awards

<i>Thousands of shares</i>	'B' Shares	'C' Shares	'D' Shares	'E' Shares
Issued at 1 January 2017	91	76	1,556	-
Issued June 2017	10	5	298	-
Issued September 2017	17	5	-	100
Issued December 2017	5	-	-	19
Cancelled	(38)	(3)	(9)	-
Issued at 31 December 2017	85	83	1,845	119
Weighted average vesting period (months)	26	10	-	33

<i>Thousands of shares</i>	'B' Shares	'C' Shares	'D' Shares	'E' Shares
Issued at 1 January 2016	94	71	1,474	-
Issued May 2016	9	6	242	-
Issued October 2016	-	5	-	-
Cancelled	(12)	(6)	(160)	-
Issued at 31 December 2016	91	76	1,556	-
Weighted average vesting period (months)	24	8	25	-

Pricing

For the purpose of valuing the awards, to calculate the share-based payment charge all shares issued were valued based on an observable market multiples of competitors, discounted cash flow and where available transaction data.

'B' Shares

The 'B' Shares awarded in May 2016 were valued at £12.10 per share and October 2016 shares were valued at £12.10 per share. The 'B' Shares awarded in June 2017 were valued at £12.10 per share, September 2017 shares were valued at £15.30 per share, and December 2017 shares were valued at £15.30 per share.

'C' Shares

The 'C' Shares awarded in May 2016 were valued at £13.40 per share and October 2016 shares were valued at £13.40 per share. The 'C' Shares awarded in June 2017 were valued at £17.00 per share and September 2017 shares were valued at £17.00 per share.

'D' Shares

The 'D' Shares awarded in May 2016 were valued at £0.28 per share and October 2016 shares were valued at £0.28 per share. The 'D' Shares awarded in June 2017 were valued at £0.31 per share and September 2017 shares were valued at £0.31 per share.

'E' Shares

The 'E' Shares awarded in 2017 had no market value.

Imagination Industries Ltd

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

25 Other provisions

Group

	Other provisions £ 000	Total £ 000
At 1 January 2017	551	551
Additional provisions	189	189
At 31 December 2017	740	740
Current liabilities	740	740

The dilapidation provision relates to the Group's current premises.

26 Contingent liabilities

Group

Ofgem has launched an investigation into OVO's estimation of customers' energy usage during winter 2016-17 and the general accuracy of its annual consumption figures in customers' annual statements. This investigation was launched in February 2018 and Ofgem has led OVO to believe that it may take over a year to complete. OVO has recently completed the first round of information requests and is waiting to hear further from Ofgem. OVO anticipates that if it is found to be at fault then the remedy will most likely be a financial penalty. OVO does not anticipate this investigation impacting its ability to supply energy or grow its customer base in any way

27 Financial instruments

Group

Financial assets

Loans and receivables

	Carrying value		Fair value	
	31 December 2017 £ 000	31 December 2016 £ 000	31 December 2017 £ 000	31 December 2016 £ 000
Cash and cash equivalents	83,379	70,387	83,379	70,387
Trade and other receivables	78,620	55,491	78,620	55,491
	<u>161,999</u>	<u>125,878</u>	<u>161,999</u>	<u>125,878</u>

Valuation methods and assumptions

Loans and receivables:

The fair value of loans and receivable is based on the expectation of recovery of balances. The individually impaired receivables mainly relate to customers from whom it is unlikely that full payment will ever be received.

Imagination Industries Ltd

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

27 Financial instruments (continued)

Financial liabilities

Financial liabilities at amortised cost

	Carrying value		Fair value	
	31 December 2017 £ 000	31 December 2016 £ 000	31 December 2017 £ 000	31 December 2016 £ 000
Trade and other payables	140,795	95,696	140,795	95,696
Borrowings	44,999	10,101	44,999	10,101
	<u>185,794</u>	<u>105,797</u>	<u>185,794</u>	<u>105,797</u>

In addition to the financial liabilities at amortised cost above, the Group had contingent consideration at a carrying value of £5,000,000 (2016: £2,786,000) and fair value of £5,000,000 (2016: 2,786,000). This is classed as financial liabilities held at amortised cost.

Valuation methods and assumptions

Financial liabilities at amortised cost

The fair value of trade and other payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material. Due to their short maturities, the fair value of the trade and other payables approximates to their book value.

Company

Financial assets

Loans and receivables

	Carrying value		Fair value	
	31 December 2017 £ 000	31 December 2016 £ 000	31 December 2017 £ 000	31 December 2016 £ 000
Cash and cash equivalents	5,070	3,273	5,070	3,273
Trade and other receivables	16,344	4,513	16,344	4,513
	<u>21,414</u>	<u>7,786</u>	<u>21,414</u>	<u>7,786</u>

Valuation methods and assumptions

Loans and receivables:

The fair value of loans and receivable is based on the expectation of recovery of balances. The individually impaired receivables mainly relate to customers from whom it is unlikely that full payment will ever be received.

Imagination Industries Ltd

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

27 Financial instruments (continued)

Financial liabilities

Financial liabilities at amortised cost

	Carrying value		Fair value	
	31 December 2017 £ 000	31 December 2016 £ 000	31 December 2017 £ 000	31 December 2016 £ 000
Trade and other payables	44	434	44	434
Borrowings	12,000	10,000	12,000	10,000
	<u>12,044</u>	<u>10,434</u>	<u>12,044</u>	<u>10,434</u>

Valuation methods and assumptions

Financial liabilities at amortised cost

28 Financial risk management and impairment of financial assets

Group

The Group's activities expose it to a variety of financial risks: market risk (predominantly from commodity price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of commodity price markets and seeks to minimise potential adverse effects of the Group's financial performance.

Risk management is carried out by the Risk management committee, under policies approved by the Board and the Group management team.

Credit risk and impairment

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers, from security deposits and prepayments to suppliers and distributors and deposits with the Group's bank.

The carrying amount of financial assets represents the maximum credit exposure. Therefore, the maximum exposure to credit risk at the balance sheet date was £154,892,000 (2016: £107,480,000) being the total of the carrying amount of financial assets, excluding equity investments, which include trade receivables and accrued income, derivative financial assets and cash. All the receivables are with parties in the UK.

The allowance account of trade receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amounts considered irrecoverable are written off against the trade receivables directly. There were no transactions written off in the year. The Group provides for impairment losses based on estimated irrecoverable amounts determined by reference to specific circumstances and the experience of management of debtor default in the energy industry.

Imagination Industries Ltd

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

28 Financial risk management and impairment of financial assets (continued)

Past due and impaired financial assets

Allowances for impairment by credit losses

	Loans and receivables £ 000
2017	
At start of year	24,397
Additional impairment for credit losses	15,889
At end of year	<u>40,286</u>
	Loans and receivables £ 000
2016	
At start of year	11,886
Additional impairment for credit losses	12,511
At end of year	<u>24,397</u>

Analysis of items past due or impaired Loans and receivables

	Carrying value of items neither past due nor impaired £ 000	Carrying value of items past due but not impaired £ 000	Carrying value of items past due and/or impaired £ 000	Pre impairment value £ 000	Impairment recognised to date £ 000
2017					
Loans and receivables	<u>18,519</u>	<u>20,901</u>	<u>40,286</u>	<u>7,953</u>	<u>40,286</u>
	Carrying value of items neither past due nor impaired £ 000	Carrying value of items past due but not impaired £ 000	Carrying value of items past due and/or impaired £ 000	Pre impairment value £ 000	Impairment recognised to date £ 000
2016					
Loans and receivables	<u>16,831</u>	<u>16,836</u>	<u>24,397</u>	<u>58,065</u>	<u>24,397</u>

The individually impaired receivables mainly relate to customers from whom it is unlikely that full payment will be received.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Group uses short and long-term cash flow forecasts to manage liquidity risk. Forecasts are supplemented by sensitivity analysis which is used to assess funding adequacy for at least a 12 month period.

Imagination Industries Ltd

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

28 Financial risk management and impairment of financial assets (continued)

The biggest threat to the Group's liquidity would arise from unusually cold weather or other factors causing customer volumes to be much higher than anticipated. This could place a strain on the Group's working capital as payments due to supplier invoices could become due before customer collection levels could be adjusted.

The Group manages its cash resources to ensure it has sufficient funds to meet all expected demands as they fall due.

Maturity analysis

	Within 1 year £ 000	After 1 year £ 000	Total £ 000
2017			
Trade and other payables	142,076	-	142,076
Bank borrowings	12,050	32,949	44,999
	<u>154,126</u>	<u>32,949</u>	<u>187,075</u>
	Within 1 year £ 000	After 1 year £ 000	Total £ 000
2016			
Trade and other payables	95,854	-	95,854
Bank borrowings	-	10,101	10,101
	<u>95,854</u>	<u>10,101</u>	<u>105,955</u>

Capital risk management

Capital management

Capital risk is managed to ensure the Group continues as a going concern and grows in a sustainable manner.

The Group maintains a consolidated financial model to monitor the development of the Group's capital structure, which has the ability to model various scenarios and sensitivities. Key outputs from this model are regularly presented the Board.

Company

The Company's activities expose it to a variety of financial risks: market risk (predominantly from commodity price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of commodity price markets and seeks to minimise potential adverse effects on the Company's financial performance.

Risk management is carried out by the Risk management committee, under policies approved by the Director and his Group management team.

The Company manages commodity risk by entering into forward contracts for a variety of periods. Energy procurement contracts are entered into and continue to be held for the purpose of the receipt of a non-financial item which is in accordance with the Company's expected purchase and sale requirements and are therefore out of scope of IAS 39. Energy contracts that are not financial instruments under IAS 39 are accounted for as executory contracts and changes in fair value do not immediately impact profit or equity, and as such, are not exposed to commodity price risk as defined by IFRS 7. So whilst the risk associated with energy procurement contracts outside the scope of IAS 39 is monitored for internal risk management purposes, only those energy contracts within the scope of IAS 39 are within the scope of the IFRS 7 disclosure requirements.

Imagination Industries Ltd

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

28 Financial risk management and impairment of financial assets (continued)

Credit risk and impairment

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and from security deposits and prepayments to suppliers and distributors.

The carrying amount of financial assets represents the maximum credit exposure. Therefore, the maximum exposure to credit risk at the balance sheet date was £25,480,000 (31 December 2014: £1,317,000) being the total of the carrying amount of financial assets, excluding equity investments, which include trade receivables and accrued income, derivative financial assets and cash. All the receivables are with parties in the UK.

The allowance account for trade receivables is used to record impairment losses unless the Company is satisfied that no recovery of the amount owing is possible; at that point the amounts considered irrecoverable are written off against the trade receivables directly. There were no transactions written off in the year. The Company provides for impairment losses based on estimated irrecoverable amounts determined by reference to specific circumstances and the experience of management of debtor default in the energy industry.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Ovo group management team uses short and long-term cash flow forecasts to manage liquidity risk. Forecasts are supplemented by sensitivity analysis which is used to assess funding adequacy for at least a 12 month period.

The biggest threat to the Company's liquidity is the potential for it to have to place margin calls against forward contracts for electricity and gas purchases. Such payments could be required if the wholesale market price of gas and electricity fell below the price of the forward contract. A new gas supplier arrangement requires a fixed cash deposit without the need for additional margin calls against market movements. Margin calls with other suppliers are made out of working capital in the form of cash deposits. The Group manages its cash resources to ensure it has sufficient funds to meet all expected demands as they fall due.

The other key threat to liquidity would arise from unusually cold weather or other factors causing customer volumes to be much higher than anticipated. This could place a strain on the Company's working capital as payments due to supplier invoices could become due before customer collection levels could be adjusted.

Capital risk management

Capital components

Capital risk is managed to ensure the Ovo group continues as a going concern and grows in a sustainable manner. The Company and Ovo group have no borrowings from third parties, should debt be introduced into the capital structure in the future then gearing would be managed and monitored.

29 Related party transactions

Key management personnel

Key management includes directors and members of the Group management team. The compensation paid or payable to key management for employee services to Ovo Energy Ltd is shown below.

Key management compensation

	31 December 2017 £ 000	31 December 2016 £ 000
Salaries and other short term employee benefits	1,286	2,285

Summary of transactions with key management

One Director of the Company directly controls 100% of the voting shares of the Company.

Imagination Industries Ltd

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

29 Related party transactions (continued)

Other transactions with directors

In 2017, the Company loaned Stephen Fitzpatrick £2,382,000 (2016: £68,000). The amount was outstanding at the balance sheet date. Interest was charged on the loan at 3% and a total of £40,000 (2016: £nil) was recognised in the Income statement in Financial income.

Summary of transactions with subsidiaries

During the year, the Company charged OVO Energy Ltd brand royalty fees totalling £3,625,000 (2016: 3,333,000). As at 31 December 2017, OVO Energy Ltd owed Imagination Industries Ltd £1,266,000 (2016: £444,000). In 2016, OVO Energy Ltd surrendered tax losses to Imagination Industries Ltd of £2,423,000. No tax losses were surrendered in 2017.

As at the balance sheet date, the company had outstanding loan funds receivable from Vertical Aerospace Ltd of £1,837,000 (2016: £1,332,000).

Summary of transactions with other related parties

During the year, the Company received loan repayments from Just Racing Ltd (a Company owned by Stephen Fitzpatrick, the ultimate owner of Imagination Industries Ltd) to the value of £1,429,000 (2016: provided loan funds of £7,079,000). The loans are repayable on demand and incur interest at a rate of 6% per annum. The interest receivable by the Company in the year was £538,000 (2016: £833,000).

The balance owed to the company by Just Racing Ltd at the year end was £18,510,000 (2016: 19,400,000). The Company held a provision of £7,795,000 against the loan as at the balance sheet date (2016: £17,971,000).

30 Parent and ultimate parent undertaking

The ultimate controlling party is Stephen Fitzpatrick.

31 Audit exemption of subsidiary

Hybrid Energy Solutions Ltd. (company registration 09666725), part of the consolidated Group, is exempt from the requirements of carrying out an external audit under section 479A of the Companies Act 2016.